1999 Annual Report

taiga

Taiga Forest Products Ltd.

By consistently finding new ways to strengthen our three key assets – our national distribution network, our product mix and our people – we set new standards in sales and service performance, year after year.

taiga

product
network
people

FINANCIAL HIGHLIGHTS

	12 months ended Mar 31 2000	12 months ended Mar 31 1999	12 months ended Mar 31 1998	12 months ended Mar 31 1997	12 months ended Mar 31 1996
Sales and Income (000's)					
Sales	$ 904,491	$ 695,013	$ 668,041	$ 611,614	$ 383,029
Cash flow from operations	7,621	6,205	5,383	6,756	3,145
Earnings before income taxes	11,403	9,272	8,435	11,521	4,282
Net earnings	6,069	5,308	4,530	5,914	2,313
Common Share Data					
Common shares outstanding at end of period	3,822,460	3,812,960	3,812,460	3,806,210	3,806,210
Cash flow from operations per share	$ 1.99	$ 1.63	$ 1.41	$ 1.77	$ 0.83
Net earnings per share	1.59	1.39	1.19	1.55	0.61
Shareholders' equity per share	14.96	13.38	11.99	10.81	9.25
Financial Position (000's)					
Working capital	$ 45,724	$ 36,184	$ 30,279	$ 30,537	$ 25,286
Total assets	241,767	167,522	157,885	134,904	105,720
Long-term debt	14,589	8,232	20	70	293
Shareholders' equity	57,171	51,026	45,714	41,134	35,220
Capital expenditures	4,685	8,499	5,619	1,396	2,725
Other Data					
Return on sales	0.67%	0.76%	0.68%	0.97%	0.60%
Return on capital employed	8.46%	8.96%	9.90%	14.33%	6.50%
Return on shareholders' equity	10.62%	10.40%	9.91%	14.38%	6.57%
Ratio of current assets to current liabilities	1.27:1	1.33:1	1.27:1	1.33:1	1.36:1
Long-term debt to shareholders' equity	0.255	0.161	0.001	0.003	0.010
Inventory turnover – times per year	11.8	11.7	11.4	13.8	10.3
Average age of accounts receivable – number of days	32.2	32.0	32.5	32.6	34.2

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As Canada's **largest independent wholesale distributor** of lumber, panel products and related building materials, Taiga Forest Products Ltd. provides the **essential link between manufacturers** with large volumes of products to sell, **and retailers or industrial customers** with smaller, but wider-ranging needs.

Distribution

The Company maintains large, **balanced product inventories** at 15 distribution centres located coast-to-coast across Canada to meet market demand for **"just-in-time inventory."** Taiga is also a significant distributor of lumber products to U.S. markets, and operates several reload centres, as well as its distribution centres, to serve customers in the U.S.

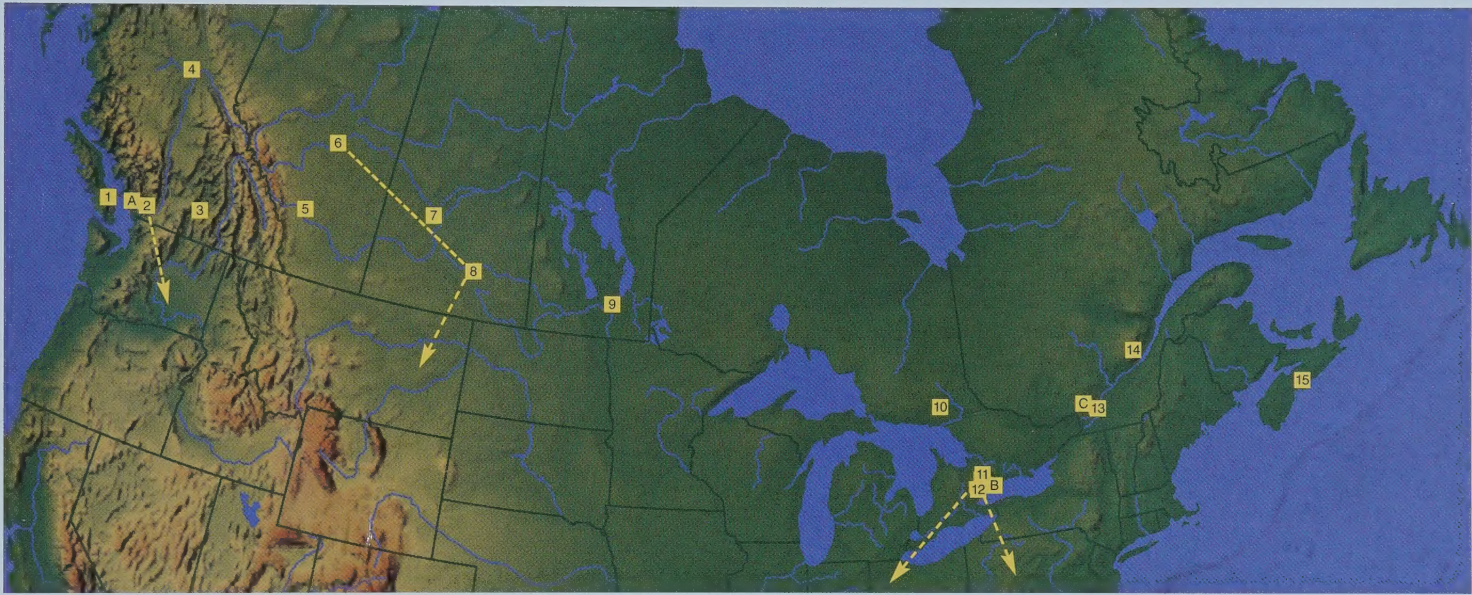
Products

Taiga's product mix is focused on the **10 products** that represent close to **80% of a typical retail building centre's sales.** These include engineered and value-added products, some of which are produced by Taiga.

Remanufacturing

Taiga produces **high-quality, Envirofor brand pressure-treated lumber** at plants in Langley, B.C. and Edmonton, Alberta, and remanufactures **value-added lumber products** such as custom-cut lumber.

D I S T R I B U T I O N   M A P



BRITISH COLUMBIA

A Burnaby
Head Office &
U.S. Trading
13,662 sq.ft. office, leased

1 Nanaimo
Distribution Centre
10,500 sq.ft. building on 2.0 acres, leased

2 Langley
Distribution Centre
105,000 sq.ft. building on 10.0 acres, owned

Envirofor Preservers (BC) Ltd. (Subsidiary)
Wood Treatment Plant
42,000 sq.ft. building on 6.0 acres, owned

3 Kelowna
Distribution Centre
14,500 sq.ft. building on 2.5 acres, owned

4 Prince George
Distribution Centre

ALBERTA

5 Calgary
Distribution Centre
26,000 sq.ft. building on 4.1 acres, owned

6 Edmonton
Distribution Centre
35,000 sq.ft. building on 6.0 acres, owned

Envirofor Preservers (Alta) Ltd. (Subsidiary)
Wood Treatment Plant
54,000 sq.ft. building on 8.5 acres, ownership shared equally with Millar Western Industries Ltd.

SASKATCHEWAN

7 Saskatoon
Distribution Centre
8,000 sq.ft. building on 2.2 acres, leased

8 Regina
Distribution Centre
21,000 sq.ft. building on 4.2 acres, owned

MANITOBA

9 Winnipeg
Distribution Centre
14,000 sq.ft. building on 4.0 acres, owned

ONTARIO

10 Sudbury
Distribution Centre
14,000 sq.ft. building on 5.0 acres, owned

11 Brampton
Distribution Centre
35,800 sq.ft. building on 5.3 acres, leased

12 Milton
Distribution Centre
68,000 sq.ft. building on 11.5 acres, owned

B Concord
Dynamic Forest Products Ltd. (Subsidiary)
Sales and Administration Office, leased

QUEBEC

C Laval
Dynamic Forest Products Ltd. (Subsidiary)
Sales Office, leased

13 Boucherville
Distribution Centre
52,923 sq.ft. building on 12.0 acres, owned

14 St. Augustin
Distribution Centre
36,000 sq.ft. building on 7.0 acres, owned

NOVA SCOTIA

15 Dartmouth
Distribution Centre
10,800 sq.ft. building on 3.0 acres, leased

To Our Shareholders

For 27 years, Taiga Forest Products has been committed to setting new standards of service and sales performance. Ongoing investment in our full-service distribution network, an evolving product mix and a highly responsive team of employees have not only contributed to our excellent past results – they've enabled us to surpass them each year. This fiscal year, they helped us overcome major price fluctuations and extremely competitive markets to achieve our best sales performance ever.

For the fiscal year ended March 31, 2000, Taiga achieved earnings of $6.1 million ($1.59 per share) compared to earnings of $5.3 million ($1.39 per share) for the previous year. Sales during this period increased by 30%, from $695 million for the year ended March 31, 1999, to $905 million for the year ended March 31, 2000.

This remarkable growth in sales and earnings was driven primarily by very strong housing starts in the United States and Canada. All of our core product lines recorded year-over-year sales growth, with our allied products turning in consistently excellent results every quarter. Results from lumber, plywood and oriented strandboard were less stable, due to fluctuating prices and rising interest rates over the course of the year.

During the first half of 1999, extremely high demand for wood products pushed prices to near historic highs. In response, and based on expectations of continued strong demand, the lumber and panelboard industry rapidly increased production levels. Concurrent with these market forces, the US Federal Reserve raised interest rates in order to cool what it considered to be an overheated U.S. economy. The Bank of Canada, in turn, also increased interest rates to protect the Canadian dollar. An accompanying rise in mortgage rates eliminated some potential buyers from the market, reducing new housing starts and lowering demand for building materials. Lumber and panelboard producers were slow to adjust their production levels, and, as a result, the wood products market is currently suffering from oversupply and declining prices. While this affected our profits in the fourth quarter, current production curtailments are expected to bring the market back into equilibrium, and prices should stabilize or increase in the coming year.

Expansion Projects

In July 1999, we completed the second phase of our $13 million development in Langley, B.C. with the opening of a new distribution centre. This facility more than doubled the warehouse and yard capacity of the former New Westminster Distribution Centre, enabling us to carry a much wider range of products for our customers in southwestern B.C. and surrounding markets. We also recently purchased four acres adjoining our Langley treating plant to allow for the expansion of this important and lucrative operation.

One of Taiga's most profitable regions has traditionally been southern Alberta. However, while our Calgary Distribution Centre consistently turns in excellent results, it has been hampered somewhat by a relatively small warehouse and insufficient yard space. To substantially increase our inventory space, we recently purchased 15 acres of land, where we plan to build the largest distribution facility in our network. This will enhance service significantly and better position us to capitalize on the continuing economic growth forecast for the region. Operations are expected to commence in early 2001.

We also began extending our capabilities in Northern Saskatchewan last year, with the purchase of four acres in Saskatoon. As our current leased distribution centre does not have the capacity to stock our complete product line efficiently, we plan to build a new facility at this site. Construction is underway, and relocation of our operations should take place in the fall.

In September 1999, we formed Dynamic Forest Products Ltd., a wholly owned subsidiary lumber and panelboard trading company. Dynamic operates offices in Concord, Ontario and Laval, Quebec, where a team of talented and highly experienced traders sells products to customers in both the United States and Canada. Dynamic's initial sales results and profit contribution have been excellent, and are expected to be ongoing.

In the coming year, Taiga will continue to investigate opportunities to grow our business, either through acquisitions or by building new distribution centres in strategic Canadian markets.

Adding Value with Treated Wood

We continued to build on the excellent past performance of our treated wood products last year, with the May 1999 opening of a second wood treatment plant in Edmonton, Alberta. This plant, which operates as Envirofor Preservers (Alta) Ltd., is a joint venture with Millar Western Industries Ltd., a leading Alberta lumber and pulp producer.

Like our Langley, B.C. wood preservation plant, our Edmonton facility uses an advanced treating process to safely and permanently fix chemicals in the wood, virtually eliminating the potential for leaching at a later stage in the product's life. The result is a long-lasting, eco-friendly product that Taiga backs with a lifetime guarantee.

The addition of the Alberta plant enables us to supply our Prairie customers with treated products of exceptional quality on a just-in-time basis. Initial sales have been very good, and are expected to grow as market penetration increases.

Outlook

The outlook for 2000 is positive, despite the oversupply problems in our industry. Housing starts in both the U.S. and Canada are expected to be strong, and the renovation and repair market has never looked brighter. Inflation appears to be under control and consumer confidence remains high. In addition, Taiga is well positioned to grow our market share, as consolidation in our industry continues.

In closing, we thank our employees for their contribution to our success in 1999. We are very proud of our outstanding team of people, whose extraordinary efforts resulted in average sales of $3.1 million per full-time employee.

Taiga also benefited from the wise counsel of our Board of Directors, including our independent directors, and the directors from the Berjaya Group Berhad of Malaysia including Mr. Vincent Tan, Chairman and Chief Executive Officer of the Group.

Finally, we thank all of our shareholders for continuing to support Taiga. We remain committed to increasing the value of your investment.

Patrick Hamill
President and Chief Executive Officer

At Taiga Forest Products, simply maintaining our high standards of achievement has never been good enough. Our goal is to surpass our consistently excellent results – every year. To achieve this objective, we work continuously to enhance the performance of our three key assets – our distribution network, our product mix, and our people.

Whether it's expanding storage capacity for our specialty woods, producing our own line of pressure-treated wood products, or upgrading our computer systems, our ongoing improvement initiatives have proven extremely successful on two counts. They've increased our ability to respond to the needs of our customers and suppliers, and they've consistently boosted our year-over-year sales results.

Nineteen-ninety-nine was no exception. We extended the capacity of our distribution network in B.C. to increase product inventories and boost efficiency. We opened a second wood preservation plant in Edmonton to respond to growing demand for our pressure-treated wood products. We signed a national distribution agreement with a key supplier to enhance the value of our product mix in the Prairies. We created a new training program to better support growing demand for engineered wood products. And our annual sales revenues grew to $905 million, a 30% increase over 1998.

The Distribution Network

Taiga's most important role is to provide the link between manufacturers with large, uniform volumes of product to sell, and retailers or industrial customers who need a wide range of products in smaller quantities. Our coast-to-coast distribution network bridges the gap, by providing manufacturers with cost efficient access to a large and ready marketplace, and by keeping product close to our customers for just-in-time inventory service.

In 1999, we continued to strengthen our national distribution network through investment in our full-service distribution centres. Located in 15 key Canadian markets, these facilities are designed to receive large incoming shipments from manufacturers and rapidly reassemble outgoing mixed loads for customers. By increasing their size and refining their design, Taiga continues to boost service levels and increase operating efficiencies.

Spacious, well laid out facilities help our employees locate product easily, load trucks quickly, and keep traffic at the centres moving. Extra warehouse and lumberyard space also permits us to buy product in larger volumes - so we can keep prices low and remain highly cost competitive. At the same time, expanded inventories give our customers confidence that the products

they need will always be in stock - so they can place orders on an as-needed basis and take delivery in a matter of hours. And in a year like 1999, when the prices of some products fluctuated daily, just-in-time inventory management was more important than ever to achieving success in the retail environment.

British Columbia

Last year, we focused on expanding our distribution capabilities in B.C. by relocating our Vancouver area distribution centre from New Westminster to the Fraser Valley suburb of Langley. Officially opened in July 1999, the new facility sits on a 10-acre parcel of land, and more than doubles the capacity of our Lower Mainland warehouse from a total of 43,000 square feet to 105,000 square feet.


Langley, B.C. Distribution Centre – opened July 5, 1999

The extra space has enhanced our operating efficiency considerably. At our old New Westminster site, for instance, our lumberyard had the capacity to service two trucks at once. Our new site accommodates up to 11 trucks, dramatically reducing the time drivers spend waiting for service. In addition, increased warehouse space means more room for forklifts to maneuver, so we can assemble mixed product loads quickly and keep traffic flowing. Then, convenient access to the Trans-Canada highway and the U.S. border enables delivery trucks to reach our customers more quickly than ever.

The new Langley facility has also boosted Taiga's penetration of local markets, as retailers in the rapidly growing Fraser Valley take advantage of our proximity to their businesses.

The increased efficiency and improved market penetration helped counteract last year's sluggish provincial economy. Together with our Nanaimo and Kelowna operations, the Langley centre contributed to a 10% year-over-year increase in sales volumes and revenues for B.C. The gradual recovery of the Japanese economy and a robust American economy also contributed to our positive results, enabling Taiga to increase sales to both the Pacific Rim and the U.S. Pacific Northwest.

Taiga also began expanding our markets in northern B.C. last year. We believe there is a solid opportunity for sales growth in the city of Prince George and surrounding area, and in March 2000, we increased sales service to retail customers in the region by establishing a small distribution centre.

The Prairies

Steady economic growth in Saskatchewan and Manitoba, and a healthy Alberta economy propelled Taiga's prairie operations to another year of excellent sales results in 1999. All five of our Prairie distribution centres benefited from strong housing starts and a robust renovation market, with our Calgary and Edmonton distribution centres turning in particularly good performances. The region also benefited from the introduction of our Envirofor pressure-treated wood products and Emco Limited "BP" asphalt roofing products. Both products performed very well, recording strong initial sales. The outlook is for increasing demand, as they become better established in local markets.

Construction levels are expected to remain high in all three Prairie provinces in the coming years. To capitalize on forecasted growth for the region, and to enhance operational capabilities, Taiga is planning to make a significant investment in two new distribution centres during 2000.

In Saskatoon, we recently purchased four acres of land and have begun site preparation in advance of building a $1 million distribution centre. The new facility will increase our warehousing space substantially and enable Taiga to stock larger inventories of our most popular products. Operations are expected to commence by the end of October 2000.

In June 2000, we purchased 15 acres in Calgary. We plan to build the largest distribution centre in our network at this site, and expect the new facility to open before March 31, 2001.

Eastern Canada

Strong job creation and rising in-migration continued to spur economic growth across eastern Canada in 1999. As a result, construction markets were active and our distribution centres in Ontario, Quebec and the Maritimes recorded another excellent year. While demand for all of our core products was good, sales of our engineered wood products were especially vibrant, as market penetration and product acceptance continued to build.

Dan Joerges, General Manager, Dynamic Forest Products Ltd. (far right) on the trading floor in Concord, Ontario

Our eastern operations also benefited from the September 1999 formation of Dynamic Forest Products Ltd. This wholly owned subsidiary operates offices in Concord, Ontario and Laval, Quebec and distributes lumber and other related building products within Canada and into the U.S. from reload centres located in Windsor and Fort Erie, Ontario.

We expect our excellent sales in Eastern Canada to continue into 2000. While the current oversupply of product may negatively affect prices, demand should remain high in the construction, renovation and industrial sectors. In Quebec, stronger population growth and steady employment gains are expected to support increased new home construction. And in the Atlantic region, the positive economic impact of new mega-projects, recovering fish stocks and a growing tourism industry are expected to spur an increase in housing starts and renovations.

The United States

In addition to serving Canadian retailers, Taiga distributes lumber products to U.S. contractor yards, retailers and buying co-ops. Our distribution centres, together with our reload centres in Alberta and Ontario, help us reach diverse markets and regions of economic strength south of the border.

Last year, the U.S. economy continued to grow at a blistering pace. As a result, our U.S. sales were excellent, reflecting strong housing starts, an active do-it-yourself market, and the steady production of mobile homes.

While recent interest rate hikes and the political uncertainty of an election year may cool the U.S. economy somewhat, we expect continued good results in 2000. We are responding aggressively to increased competition from the eastern states and Europe, and will continue to effectively manage quota restrictions imposed under the Canada-U.S. Softwood Lumber Agreement.

The Softwood Lumber Agreement expires on March 31, 2001. Taiga is a member of the executive group currently examining Canada's future options and is taking an active role in ongoing discussions. We will continue to work closely with both federal and provincial governments in this capacity, representing the interests of lumber wholesalers and the Canadian forest industry.

Responding to a Vibrant Renovation Market

The retail lumber stores who cater to the home renovation and do-it-yourself market are one of Taiga's biggest customer groups. This market, which tends to be less cyclical than the new home construction market, has grown substantially over the past decade. According to Canada Mortgage and Housing Corporation, consumer spending on renovations is expected to reach $25 billion in 2000.

By supplementing our core lumber and panel products with allied building products like rigid insulation, nails and asphalt shingles, we can respond to this burgeoning demand with the products consumers want most.

"One of the prime factors behind the booming renovation sector is the ageing of existing housing stock," says Jimmie Bradshaw, Vice President, Building Materials. "Houses built in the 1960's and 1970's are reaching the age when interior updates and roofing repairs become necessary. Stocking the products most commonly used in renovation projects, like wood mouldings and asphalt shingles, positions Taiga to benefit from the tremendous growth in this sector."

Export Sales Department

In 1998, Taiga created an Export Sales Department to market building products in the Pacific Rim. We made significant headway in 1999, securing excellent agency representation in both Japan and Taiwan. These agents will assist Taiga in attaining better market penetration for our products, as well as contributing a higher degree of market knowledge.

Products

Taiga's product mix is made up of the 10 core items most commonly used in construction and renovation projects – the same products that represent nearly 80% of a typical retail building centre's sales. By focusing on the basics, which include lumber and panel products, pressure-treated wood products, and allied building materials such as insulation, asphalt shingles, wood mouldings and nails, we provide our customers with the products they want most, while maintaining the comprehensive product support our suppliers have come to expect.

Last year, excellent demand across our product line led to a 30% year-over-year increase in sales. Our product mix played a key role in this growth, helping us to weather extremely volatile markets and positioning us to capitalize on strong housing starts and an active renovation market in both Canada and the United States.

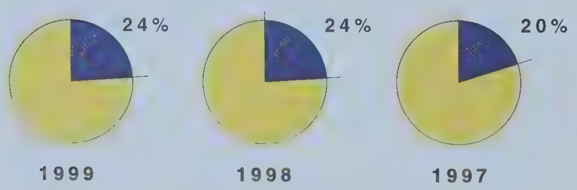
Taiga also benefited from consolidation within the distribution industry, which led to the elimination of some competitors during 1999. As always, we were well-positioned to respond to the resulting increase in demand, with high-quality products supported by a knowledgeable, enthusiastic team.

Enhancing the Value of our Product Mix

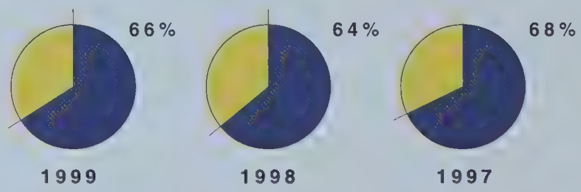
Just as Taiga is continuously working to strengthen the performance of our distribution network, we are constantly fine-tuning our product mix. That way, we can ensure we are stocking the most desirable building products available and staying at the forefront of new developments in the marketplace.

While lumber continues to make up the bulk of our total sales, the market profile for wood products is changing. As environmental awareness increases, and as old growth forests become more difficult to access, products such as engineered and pressure-treated wood have emerged as eco-friendly alternatives to dimension lumber.

Panel Product Sales
as a percentage of total sales



Lumber Product Sales
as a percentage of total sales



Taiga recognized the value of both products many years ago, and has been a market leader in their promotion and distribution. Last year, we continued to increase our focus on them, opening a second state-of-the-art wood treatment plant in Edmonton, and significantly increasing our in-house product support for engineered wood.

Pressure-Treated Lumber

Pressure-treated lumber is an environmentally friendly and economical product designed for use in outdoor applications such as fencing, landscaping and roofing. Treated with a non-leaching chemical solution that prevents rot and repels insects, Taiga's Envirofor brand treated wood products come with a lifetime guarantee. As their superior performance characteristics become increasingly well-known in the marketplace, product sales have been building.

Supporting Engineered Wood Products

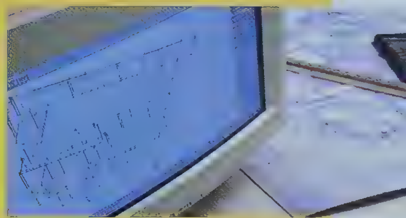
Keeping our product mix focused means we can provide the comprehensive support our suppliers have come to rely on.

Michael Iallonardo is Taiga's Technical Sales Representative, Engineered Products. He teaches the retailers who buy from us – and the contractors who buy from them – about engineered wood products and how to use them. Michael begins with basic product knowledge seminars. Then, he conducts in-depth computer classes to provide a hands-on demonstration of the structural design software programs that make the product easier to use.

The most sophisticated of these programs combines engineering and inventory management components in a single package.

The engineering function analyzes building design layouts to specify which engineered wood products should be used during construction.

Then the software generates a materials list, calculates total cost, and offers alternative product options. This speeds up the design process considerably, and makes working with engineered wood products even more appealing.



"Our goal is to give our customers the tools they need to be effective in the workplace," says Iallonardo. "In order to sell engineered wood products, the retailers who buy from us need three things. They need the knowledge, the product, and the software. Taiga provides them with all three."

Our state-of-the-art treatment plants set new industry standards for environmental responsibility.

In response to increasing demand, Taiga recently constructed two state-of-the-art wood preservation plants. The first plant, which operates as Envirofor Preservers (BC) Ltd., is located adjacent to our new Langley distribution centre. It commenced operations in November 1998. The second plant is co-owned with Millar Western Industries Ltd. and operates as Envirofor Preservers (Alta) Ltd. It is situated in Edmonton and was brought on stream in May 1999.

Two of only four plants of their kind in North America, these are now Canada's most efficient and environmentally friendly wood preservation plants. Together, they produce approximately 120 million board feet of treated lumber each year, and supply all of our Western Canadian distribution centres with a variety of treated products, including dimension lumber, decking and landscape timbers.

While owning and operating our own wood treatment plants is a move away from our core strength – distribution – pressure-treated wood products have proven an excellent complement to our product mix. Product sales increased by 34% during 1999, and are continuing to grow.

Engineered Wood Products

Engineered wood is another relatively new, environmentally friendly product that is rapidly gaining acceptance in the building industry. Stronger, stiffer and straighter than solid sawn lumber, laminated veneer lumber (LVL) and I-joists are ideal for use in floor, roof, and load-carrying beam applications. In addition, engineered wood products are made from a combination of second-growth lumber, fast-growing tree species such as poplar or aspen, and/or finger-jointed stock – meaning raw materials are plentiful and resource regeneration is quick.

As a result, engineered wood products gain market share every year. Last year was typical, with all of our distribution centres reporting substantial increases in product sales. To support the burgeoning demand, we increased our sales staff and added a dedicated technical representative at our Langley, B.C. distribution centre in 1999. We also consolidated our supply of LVL and I-joists, forming a stronger relationship with our supplier, Louisiana Pacific.

Specialty Wood Products

Distribution of hardwood and specialty softwood products is another area of growth for Taiga. Operating out of our Milton, Ontario distribution centre, Taiga's Allfor division markets oak, hackberry, clear hemlock, pine, and other woods to manufacturers of furniture, windows, and cabinets in Ontario and the United States.

In 1999, a healthy industrial sector continued to drive strong demand for these products. Additional sales and support staff, as well as increased covered storage space at our expanded Milton distribution centre, positioned us to respond to vigorous market activity and record an increase over the good results achieved in 1998. We expect sales of our specialty wood products to continue growing in the coming year.

Lumber and Panel Products

While sales of our pressure-treated wood products, engineered wood products, and specialty lumber products increase every year, commodity SPF dimension lumber remains our most popular product. Last year, dimension lumber contributed 57% of our total annual sales. Our panel products group, which includes plywood, oriented strandboard, particleboard and pourform – a non-stick composite panel used to form concrete - contributed 24% to the year's sales.

Strong demand for lumber and panel products led to year-over-year sales growth for both product groups in 1999, despite extreme market volatility. These increases were partially price-driven, as a supply shortage early in the year boosted prices for our commodity products to near record highs. Subsequent oversupply in the marketplace, however, kept prices low from the second quarter through to the end of our fiscal year in March 2000.

The outlook for fiscal 2000 is good. While a product glut and increased global competition are expected to keep prices for lumber and panels products down, we believe strong economic growth in North America will continue, and that the resulting strong demand for building materials will help offset lower product prices.

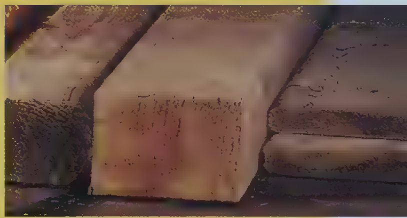
Setting New Environmental Standards

From plant design to product performance, Taiga's wood treatment facilities set new standards in environmental responsibility.

In Langley, our commitment to maintaining the highest environmental standards began before we broke ground, with a study that ensured there were no endangered birds on the site.

It continued with the construction of a state-of-the-art treatment plant that provides for future, as well as present, environmental concerns.

And it is reflected in a long-lasting, non-leaching, end product that is backed by a lifetime guarantee.



"We had a chance to do things the right way, right from the start," says Andrew Hobbs, Manager, Envirofor Preservers (BC) Ltd. "In both Langley and Edmonton, we were able to build facilities that satisfied the authorities, incorporate the absolute latest in technology and introduce a new "green" treated wood product to the market."

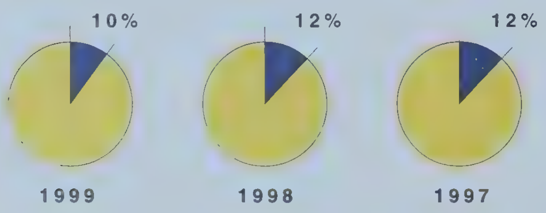
Allied Building Products

In addition to solid wood products, Taiga distributes allied building products like batt and rigid insulation, asphalt roofing, wood mouldings, nails and polyethylene sheeting. While this product group contributes a relatively small percentage of our total annual sales volume, it lends stability to our financial results during periods of market volatility and helps us to respond to the multi-billion-dollar renovation market. Last year, our allied product line enjoyed excellent demand and posted increased year-over-year sales and profits every quarter.

Good gains in Owens Corning (Celfort) rigid insulation and Johns Manville batt insulation contributed to an overall sales increase of 13% for our allied products in 1999. Sales also received a boost in the third quarter, with a new agreement which allowed us to establish a national distribution program for Emco Ltd. "BP" asphalt roofing products. We have successfully carried this high-quality line in select provinces for the past four years and distribution has now been expanded to include the Prairie provinces. Initial regional sales of the shingles were excellent and we expect to reap significant benefits from a full year of sales in 2000.

We believe demand for our allied building products will continue to be very strong in the coming year. To support the expected sales growth, we plan to hire additional staff, implement new management systems, and stock larger product inventories.

Allied Building Product Sales
as a percentage of total sales



People and Technology

While an efficient distribution network and a highly desirable product mix are key factors in our ongoing success, their value can only be realized with the support of knowledgeable, service-oriented people. At Taiga, we believe our team is the best in the business – from the trading floors where sales are made, to the warehouses and lumberyards where orders are assembled and shipped.

To ensure our employees have the tools they need to manage inventory effectively, and provide customers with up-to-the-minute product information, our in-house information technology (IT) department is constantly upgrading our technological capabilities. Last year, we neared completion of a large-scale project designed to improve inventory management, shipping and invoicing functions. We also began developing an interactive web site, for enhanced customer service and product support. Providing our people with the most advanced systems available allows them to achieve their full potential – so our business can operate at peak levels of performance too.

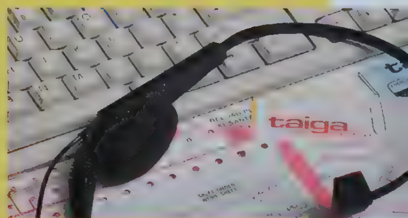
As we begin the new fiscal year, our commitment to advancing performance across our operations remains constant. New distribution facilities in Saskatoon and Calgary will increase our inventory space and boost efficiency in the prairie region. Dedicated product support teams will increase market penetration of engineered wood products, pressure-treated wood products and asphalt roofing products across Canada. And ongoing investment in the latest technologies will increase our ability to meet the evolving needs of our customers and suppliers. We are confident these initiatives will help Taiga achieve our chief objective in 2000 – to surpass the service and sales milestones we set in 1999.

Staying at the Forefront of Technology

While technological developments like high-speed internet connections, wireless modems, and B2B solutions can seem overwhelmingly complicated sometimes, the idea behind them is simple. It's about finding new ways to increase efficiency and convenience.

At Taiga, ongoing investment in new technology is enhancing our ability to respond to the changing needs of customers and suppliers across our operations.

Electronic data interchange links our inventory and invoicing systems to key suppliers and customers – boosting productivity for both parties. E-mail provides an alternate means of placing orders, filing claims and requesting quotes – day or night. And a new interactive Web site, currently under development, will provide detailed, accurate information about our products and services, at the click of a mouse.



Bryan Lindquist heads Taiga's Information Technology department. "Our role is to ensure Taiga's systems keep pace with advances in the marketplace. That way, we can be sure we're providing the fastest, most effective, and user-friendly technologies to our customers, our suppliers, and our employees. Staying at the forefront of developments in this area means we can maintain high levels of service, boost efficiency, and reduce costs."

Results of Operations

For the year ended March 31, 2000, Taiga achieved the most profitable 12-month fiscal period in the Company's 27-year history. Taiga's earnings per share were $1.59, compared to $1.39 in fiscal 1998. Consolidated sales increased 30% to $904.5 million from $695.0 million in 1998, while earnings increased to $6.1 million from $5.3 million the previous year.

During Taiga's fiscal 12-month period ending March 31, 2000, lumber products accounted for $592.5 million, or 66% of the Company's total sales (compared to $441.6 million, or 64% in 1998). Panelboards accounted for $219.0 million, or 24% of total sales (compared to $170.9 million, or 24% in 1998). Allied product sales increased 13% to $93.0 million, accounting for 10% of total sales (compared to $82.5 million or 12% in 1998).

Cash generated from operations was $7.6 million, or $1.99 per share, compared to $6.2 million, or $1.63 per share, for the previous fiscal year. Cash from operations includes net earnings of $6.1 million and depreciation of $1.5 million.

The significant 30% increase in sales resulted from two main factors. First, in October 1999, Taiga commenced the operation of a wholly owned subsidiary, Dynamic Forest Products Ltd., which operates offices in Concord, Ontario and Laval, Quebec. This company distributes lumber and related building products within Canada and the United States from reload centres located principally in Windsor and Fort Erie, Ontario. Last year, Dynamic made a considerable contribution to Taiga's total consolidated sales.

The second factor in Taiga's growth was the bouyant North American economy. Virtually full employment, the wealth effect, which resulted from gains in equity markets exceeding wage gains, and favourable mortgage rates all fueled increased residential construction activity and drove prices for softwood lumber to near-record peaks in July 1999. Consequently, Taiga, along with the North American building products industry, experienced significant demand for all products throughout the year. Taiga's sales of core lumber and panel products increased 17% and 19% respectively during this period.

The lumber and panel products industry responded to high prices and increased demand by increasing production throughout 1999. Canadian softwood lumber production increased 6.5% and U.S. production increased 5.7%, bringing total North American production to 65.6 billion board feet from 62.0 billion board feet in 1998.[1] The increase in lumber supply had a dramatic impact, driving prices for both lumber and panel products sharply lower in the fall of 1999. Random Lengths' price for Spruce-Pine-Fir, 2 x 4 Kiln Dried, Standard and Better dropped approximately 28% from the $435 US per mfbm peak in July 1999, to $315 US per mfbm at March 31, 2000.

Oriented Strandboard (OSB) also experienced downward price pressure from highs of $500 CAD per thousand square feet (7/16th inch basis, Toronto) in July 1999, to $450 CAD per thousand square feet at March 31, 2000. Falling commodity prices started to squeeze profit margins in the latter part of the fiscal year. Both OSB and lumber have continued to experience price volatility into May 2000.

Strong housing starts and increased renovation and repairs spending in North America continued to promote active building materials markets in Canada and the United States during calendar 1999. Canada Mortgage & Housing Corporation (CMHC) reported total Canadian starts of 149,968 for the calendar year ending December 1999. This represents an increase of 9.1% over 1998. A preliminary CMHC forecast predicts Canadian renovation and repairs spending will increase to $25.0 billion in 2000, up 5.5% from estimated spending of $23.7 billion in 1999.

According to the U.S. Census Bureau, United States housing starts increased 2.9% to 1.67 million in calendar 1999 and are forecasted to weaken by 6.2%, to 1.56 million starts, in 2000.[2] Repairs and remodeling expenditures in the U.S. remain high, with the latest estimate for the 12 months ending December 1999 at $114 billion.

As the year progressed, Taiga's sales growth outpaced earnings growth. While we recorded improved sales and profit performance from our treated wood products, residential insulation, asphalt roofing products, and engineered wood

products, profit margins on Taiga's core dimension lumber, OSB, and Fir and Spruce plywood were suppressed during the latter part of the fiscal year, due to an oversupply of these products in the North American market.

Taiga's allied product line consists of wood mouldings, mdf mouldings (medium density fibre board), residential and rigid insulation, asphalt roofing, polyethylene sheeting, nails, and remanufactured lumber products, including custom cut lumber and fencing panels. Allied product sales increased 13% to $93.0 million for the fiscal year ended March 31, 2000, compared to $82.5 million during the previous year.

Financing Activities

Taiga renewed existing banking arrangements during 1999. Under the terms of Taiga's agreements with two major chartered banks, the Company has access to a maximum revolving operating facility of $135 million, and access to non-revolving long-term debt facilities of $20 million. At March 31, 2000, the Company had not utilized $13 million of the revolving facility. The term facility had been fully utilized at March 31, 2000 and approximately $2 million of this facility had been repaid, leaving a balance of $17.0 million outstanding, including $2.4 million which is included in current liabilities.

Taiga's bank loans are secured by the general assignment of inventory and accounts receivable and general security agreements in favour of the banks.

Investing Activities

Investments in property, plant and equipment for fiscal 1999 totaled $4.7 million, compared to $8.5 million in 1998. Major capital projects in 1999 included the completion of Taiga's 100% owned subsidiary, Envirofor Preservers (BC) Ltd., state-of-the-art wood preservation plant in Langley, B.C.; completion of the construction of Taiga's new Langley, B.C. Distribution Centre; the purchase of land and site improvements in Saskatoon, Saskatchewan for the future relocation of Taiga's Saskatoon Distribution Centre; and Taiga's share of Envirofor Preservers (Alta) Ltd. wood preservation plant in Edmonton, Alberta. In addition, Dynamic Forest Products Ltd., a new wholly owned subsidiary of Taiga, leased new office facilities in Concord, Ontario and Laval, Quebec which required leasehold improvements prior to the commencement of operations in October 1999. The remainder of Taiga's capital expenditures was directed toward maintaining existing facilities and equipment.

Taiga has been distributing treated wood from the Company's network of Canadian distribution centres for more than 16 years. Last year, Taiga announced the successful relocation of the British Columbia treating facility to the Fraser Valley community of Langley, B.C. During 1999, $560,000 was expended for the final construction stage of the Envirofor Preservers (BC) Ltd. wood treating plant.

Taiga's newest distribution centre is also located in the Fraser Valley suburb of Langley. Adjacent to the wood preservation plant, this new, expanded facility commenced operations in July 1999. It consists of 105,000 square feet of covered warehouse and office space, and a seven-acre lumber storage yard. Capital expenditures on this project totaled $2.6 million during 1999.

During the year, Taiga completed the purchase of 4.0 acres in Saskatoon, Saskatchewan. The Saskatoon Distribution Centre will be relocated to this site, as the current 2.2 acre leased location is too small to effectively accommodate our operations. The cost of the Saskatoon land and site improvements during 1999 total $500,000, or 50% of the total capital budget of $1 million. Taiga expects to relocate to this new location during summer 2000 and will utilize the expanded facility to distribute a broader range of building products in the Saskatoon market.

In May 1999, Taiga continued to build on its proven expertise in the wood preservation industry with the successful commencement of operations at a second wood preservation plant in Edmonton, Alberta. This state-of-the-art plant, which duplicates Taiga's Langley, B.C. facility, was built by Envirofor Preservers (Alta) Ltd., an Alberta company in which ownership is shared equally by Taiga and Millar Western Industries Ltd. Taiga's share of the plant capacity provides quality treated wood products to the Company's distribution centres in Alberta, Saskatchewan, and Manitoba. Envirofor Alberta financed the construction of the facility with a mortgage on the land, buildings, and equipment.

Taiga's strategy is to provide environmentally friendly preserved wood products of superior quality. Both the Langley and Edmonton wood treating facilities employ patented "fixation" technology supplied by Chemical Specialties Inc. of North

Carolina. Unlike the majority of other wood treatment plants throughout North America, Taiga's two facilities do not employ concrete "drip pads" associated with some treating processes. Most existing competing treatment plants treat wood products and then place the material on concrete drip pads for fixation for up to a week before the product is safe to ship. This process has inherent environmental concerns, and the fixation process is not precise. The Taiga system uses a patented solution to accelerate the fixation process, and "wash" the preserved wood.

Environmental safety is a priority in the design and operation of the these plants. This patented technology includes a closed loop system for capturing the preserving solution dripping from the treated wood products using "conditioning bays". A byproduct of the environmental safety built into the plants is that wood products can be treated and shipped the same day.

The newly-expanded Langley plant and the Edmonton facility should provide for the Company's wood preservation requirements in Western Canada well into the future.

The Company's capital expenditure plan for the 12 months ended March 31, 2001 totals $8.0 million. This includes the relocation of the Calgary distribution facility; four acres of additional land in Langley, B.C., which will be used for the future expansion of the wood preservation operation; completion of the new location for the Saskatoon, Saskatchewan distribution centre; and general capital replacement in other branch locations. The above amount does not include estimated recovery that will be realized from the sale of the current Calgary land and building. All of Taiga's proposed capital expenditures are justified and evaluated to ensure adequate return on invested capital before being presented to Taiga's Board of Directors for approval. Subsequent to Director approval, expenditures are made subject to the availability of funds.

Taiga's 1999 capital expenditures of $4.7 million were financed by utilizing the remaining $10 million of the $20 million term debt facility. The term debt credit facility was negotiated partially to finance Taiga's 1998 and 1999 capital asset additions, but it can also be used for general business purposes. Repayments of long-term debt principal during fiscal 2000 will amount to $2.4 million. Taiga will endeavour to fund the 2000 capital acquisitions from operations.

Financial Position

At March 31, 2000 shareholders equity had increased to $57,170,644 from $51,026,019 at the previous year end, and working capital had increased by $9.5 million to $45.7 million, compared to $36.2 million last year. The current ratio was 1.27 : 1 to compared to 1.33 : 1 at the end of the prior year, due to a larger relative increase in bank borrowings and accounts payable when compared to the change in accounts receivable and inventory. Increased borrowing is directly related to larger than planned inventory levels which accumulated in the spring quarter. This resulted from excess supply and the associated softening of prices in the lumber and panel markets.

Risk Factors

Inventory

The wholesale building products distribution industry is characterized by large sales volumes and low gross margins. It is highly sensitive to price, quality, timeliness of delivery and continuity of supply. In addition, the demand for some of Taiga's products is cyclical and prices can change rapidly.

The Company's buying practices are designed to minimize the risk of rapidly changing prices, although there can be no assurance that such practices will reduce risk. Taiga does not generally hedge its inventory risk through the purchase of lumber futures contracts. Substantially all purchases are made based on current orders and anticipated sales, and most sales are made from inventory or against product on order. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and optimal customer service. It is the Company's management policy to turn inventory approximately 12 times per annum, however, as a wholesale building products distributor, Taiga maintains significant quantities of inventory, the value of which is subject to the risk of changing prices.

Currency

The performance of the Canadian dollar compared to the U.S. dollar presents a certain valuation risk for inventories purchased specifically for U.S. markets. Taiga does not generally hedge these inventories with U.S. exchange forwards, relying instead on rapid inventory turnover. The Company continually monitors exchange trends and sells most U.S. receipts into the spot market at the most advantageous rates possible. Taiga also makes

limited use of U.S. Exchange Forward contracts. At March 31, 2000, the Company had outstanding obligations to sell US$2,500,000 at an average rate of CDN$1.4734 during 2000.

Credit Risk

The Company extends credit to its customers which is generally unsecured. Since the loss of a large receivable can have a substantial effect on the Company's profitability, Taiga employs credit insurance on its largest accounts to reduce the potential for exposure to large credit losses. The Company also uses a system of credit management to mitigate the risk of losses due to the insolvency or bankruptcy of customers.

Interest Risk

Taiga is a building products distribution company which utilizes significant leverage to finance day-to-day operations. The interest cost of Taiga's revolving bank facility is prime-based. During the fiscal year ended March 31, 2000, the Canadian bank prime rate increased from 6.5% to 7.0% per annum and, at the time of writing, had increased further to 7.5%. Increased interest rates increase Taiga's operating costs and may reduce net profit after income tax. The Company monitors current interest rates and selectively utilizes interest rate swap agreements to minimize interest costs.

Year 2000

Neither Taiga Forest Products Ltd., nor any of the Company's major suppliers or customers, experienced any significant date-related problems due to the Year 2000.

U.S. Softwood Lumber Agreement

On April 1, 1996, the Canada - U.S. Softwood Lumber Agreement took effect. This is a quota system agreed to by the federal government in Canada and United States industry and trade officials.

Under this agreement, the Canadian federal government allocated the total allowable Canadian softwood lumber exports of 14.7 billion board feet to primary producers and re-manufacturers in the Canadian lumber producing provinces. Taiga is allocated a nominal amount of quota to support the Company's re-manufacturing business, but as a wholesale distributor, which is Taiga's primary business, the Company is not allocated quota directly. With the goal of not disrupting the historical channels of distribution for softwood lumber, the Softwood Lumber industry, in partnership with the Canadian government, worked out a quota transfer system which allows Taiga to continue distributing softwood lumber into the United States on a "business as usual" basis.

The current Canada - U.S. Softwood Lumber agreement expires March 31, 2001. Taiga does not expect modifications to this managed trade agreement to change the distribution of its products to the United States.

Outlook

For the five months ended May 31, 2000, Canada Mortgage and Housing Corporation (CMHC) reported Canadian housing starts are currently at a seasonally adjusted rate of 142,100 units per year. While this is a 5.2% reduction from the 150,000 housing starts recorded for the 12 months ending December 31, 1999, spending on new home construction at this level still represents approximately $17.0 billion annually. CMHC is also forecasting a 5.5% increase in renovation and repair spending, to $25.0 billion for the calendar year ending December 31, 2000. Comparison of these two figures illustrates the relative importance of the do-it-yourself building materials industry in Canada. Even though there appears to be a slowing of new home construction in Canada, the forecast starts, combined with the high levels of renovation activity and good prevailing economic conditions in Canada, should lead to continued strong demand for building materials.

In the United States, the US Department of Commerce seems to be signaling a slowing of the American new home construction market, with forecast starts dropping 6.2% to 1.56 million for the 12 months ending December 2000 and a further 7.1% to 1.45 million starts for the year ending December 2001. While this may indicate a forthcoming tightening of demand in the U.S. building products industry compared to the blistering pace of recent years, the forecasted starts still represent very strong new home construction in the U.S. market in terms of the last decade.

The U.S. Census Bureau estimates that U.S. renovation and repair spending will continue at current high levels of $115 billion to $120 billion per annum. The most recent report on U.S. renovation and repair spending is for calendar 1998. In that year, spending totaled US $119.8 billion.[3]

Scotiabank Group Global Market Trends reported a 4.2% increase in Canadian Gross Domestic Product (GDP) for 1999, with a further increase of 4.4% forecasted for 2000. In the United States, 1999 GDP growth was 4.2% and is forecasted to be 4.9% in 2000.[4]

Approximately 30% of Taiga's sales are into the United States. Recently there has been significant volatility in the Canadian dollar vis-a-vis the U.S. dollar, with May exchange rates in the 1.5000 range. A weak Canadian dollar will promote U.S. demand for Canadian lumber products, and should result in continued favourable sales and profits originating from the U.S. market, within the limits of the U.S. Softwood Lumber Agreement.

Despite the positive market indicators discussed above, one unknown component of future demand in the building products industry is interest rates. Since June 1999, the U.S. Federal Reserve has increased interest rates six times; each was echoed by the Bank of Canada. It is not currently known what impact these increased borrowing rates will have on demand for building products in North America. Increasing interest rates will, at some point, reduce the demand for new home construction, as marginal buyers may be prevented from entering the market due to the increased cost of financing home purchases.

In the upcoming year, supply issues in the commodity markets will continue challenging Taiga to effectively manage inventories in order to maximize returns. Lumber mills have started to announce summer closures and production curtailments, which may help boost margins in the short term. OSB production capacity will increase further this year, as new mills come on-line. Prices of OSB (7/16ths inch basis - North Central Dollars per MSF) in 2000 are expected to average $240 US, compared to $259 US in 1999.[5] At these price levels, Taiga's sales and profit margins on OSB should be consistent with 1999. In the longer term, Taiga will continue to emphasize inventory management, with the goal of maximizing both inventory turns and return on inventory investment.

Taiga does not currently have significant sales outside North America. However, increased demand in the Pacific Rim countries or in Europe may reduce the excess supply of commodity products in North America, which could improve industry returns on lumber and panelboards.

Currently, there are no definitive indications that the demand for lumber will increase in offshore markets. In the short-term, according to CIBC World Markets, the outlook for the Japanese housing market is neutral to mildly negative, due to its dependence on government incentives for stability and support. Japanese housing starts in 1999 totaled 1.2 million and are forecasted to remain at this level for 2000 and 2001.[6]

To complement Taiga's core lumber and panelboard products, Taiga will continue its marketing emphasis on value-added products, including Louisiana Pacific's Solid Start Engineered Wood Products, and Taiga's Envirofor brand pressure-treated wood. Both of these products recorded significant sales growth and consistent profits during 1999. In addition, Taiga's allied products, including J.M. Johns Manville Residential Insulation, Emco "BP" roofing products, and pine and mdf (medium density fibreboard) mouldings continue to post growing sales and consistently strong profit margins.

During 1999, Taiga and Emco Limited signed an agreement which allows Taiga to establish a national distribution program for Emco's "BP" asphalt roofing products. This allied product is an excellent complement to Taiga's core mix, and the Company has been successfully distributing Emco products in selected provinces for four years. Currently, Taiga is working to increase both sales and profits in this allied line.

As Taiga approaches 2001, the Company will concentrate on sales growth and profit improvement, to increase shareholder value. Taiga will continue to look for ways to increase the Company's competitive advantage by reviewing and reducing expenses on an ongoing basis, so that we may remain the lowest cost provider of building products. We will also look for business opportunities within our areas of expertise. Taiga is forecasting a growth in sales and stable profits for both our Canadian and U.S. business during the ensuing fiscal period.

1 American Forest and Paper Association and Bank of America
2 U.S. Department of Commerce, Bank of America Industry Research, Forest Products Industry, Wood and Building Products Quarterly May 2000.
3 U.S. Census Bureau, Bank of America Wood and Building Products Quarterly, May 2000
4 Scotiabank Group, Market Trends, May 26, 2000
5 Bank of America, Forest Products Industry, Wood & Building Products Quarterly, May 2000
6 CIBC World Markets, Equity Research ; Our View on The Japanese Lumber Market - Prospects for B.C. Lumber Production, April 26, 2000.

Management's Responsibility

The information and representations in this report were prepared by Taiga Forest Products Ltd. management. The financial statements were prepared in conformity with accounting principles generally accepted in Canada and, where necessary, reflect management's best estimates and judgements. The financial information presented throughout this report is consistent with that contained in the financial statements.

The Company maintains systems of internal accounting controls, policies and procedures to provide reasonable assurance as to the reliability of the financial records and safeguarding of its assets.

The financial statements have been examined by the Company's auditors, Deloitte & Touche LLP, and they have issued their report thereon.

The Board of Directors is responsible for overseeing management in the performance of its responsibilities for financial reporting. The Board exercises its responsibilities through the Audit Committee comprised of three Directors, two of whom are not officers of the Company. The Committee meets from time to time with management and the Company's auditors to review the financial statements and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The financial statements have been reviewed by the Audit Committee which recommended their approval by the Board of Directors.

PE Hamill

Patrick E. Hamill
Chief Executive Officer,
Vancouver, B.C.
May 5, 2000

Auditors' Report

To the Shareholders of Taiga Forest Products Ltd.

We have audited the consolidated balance sheets of Taiga Forest Products Ltd. as at March 31, 2000 and March 31, 1999, and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and March 31, 1999, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles consistently applied.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
May 5, 2000

CONSOLIDATED BALANCE SHEETS

		2000	1999
ASSETS			
CURRENT			
Accounts receivable		$ 109,642,961	$ 70,781,601
Inventories	Note 2	104,407,003	72,813,224
Prepaid expenses		1,681,216	853,507
		215,731,180	144,448,332
OTHER ASSETS AND INVESTMENTS		40,477	169,048
FIXED ASSETS	Note 4	25,721,321	22,645,176
DEFERRED INCOME TAXES		274,320	259,924
		$ 241,767,298	$ 167,522,480
LIABILITIES			
CURRENT			
Bank indebtedness	Note 6	$ 122,009,432	$ 72,778,992
Accounts payable		45,177,124	33,500,634
Current portion of long-term debt	Note 7	2,428,600	1,537,668
Income taxes payable		392,273	447,042
		170,007,429	108,264,336
LONG-TERM DEBT	Note 7	14,589,225	8,232,125
		184,596,654	116,496,461
SHAREHOLDERS' EQUITY			
Capital stock	Note 8	12,009,460	11,933,460
Retained earnings		45,161,184	39,092,559
		57,170,644	51,026,019
		$ 241,767,298	$ 167,522,480

APPROVED BY THE DIRECTORS:

Patrick E. Hamill, Director   J. Brian Aune, Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

	2000	1999
SALES	$ 904,490,870	$ 695,013,290
COST OF SALES	848,952,789	648,072,887
GROSS PROFIT	55,538,081	46,940,403
EXPENSES		
Distribution, selling and administration	38,839,983	33,736,655
Interest		
Current	4,068,329	3,264,224
Long-term	865,053	483,808
	43,773,365	37,484,687
OPERATING INCOME	11,764,716	9,455,716
NON-OPERATING EXPENSE	362,081	183,966
EARNINGS BEFORE INCOME TAXES	11,402,635	9,271,750
INCOME TAXES	5,334,010	3,964,167
NET EARNINGS FOR THE YEAR	6,068,625	5,307,583
RETAINED EARNINGS, BEGINNING OF YEAR	39,092,559	33,784,976
RETAINED EARNINGS, END OF YEAR	$ 45,161,184	$ 39,092,559
Basic earnings per share	$ 1.59	$ 1.39

CONSOLIDATED STATEMENTS OF CASH FLOWS

		2000	1999
OPERATING ACTIVITIES			
Net earnings		$ 6,068,625	$ 5,307,583
Items not requiring an outlay of funds			
Depreciation and amortization		1,572,781	1,128,013
Loss (Gain) on disposition of fixed assets		(5,614)	57,210
Deferred income taxes		(14,396)	(287,641)
		7,621,396	6,205,165
Change in non-cash operating working capital	Note 10	(59,661,127)	(1,801,736)
		(52,039,731)	4,403,429
FINANCING ACTIVITIES			
Issuance of long-term debt		7,248,032	9,702,528
Issuance of capital stock		76,000	4,000
		7,324,032	9,706,528
INVESTING ACTIVITIES			
Proceeds on disposition of fixed assets		41,687	28,491
Purchase of fixed assets		(4,684,999)	(8,498,942)
Other assets and investments		128,571	(46,429)
		(4,514,741)	(8,516,880)
NET CASH INFLOW (OUTFLOW)		(49,230,440)	5,593,077
BANK INDEBTEDNESS, BEGINNING OF YEAR		(72,778,992)	(78,372,069)
BANK INDEBTEDNESS, END OF YEAR		$ (122,009,432)	$ (72,778,992)
SUPPLEMENTAL INFORMATION:			
Interest Paid		$ 4,567,854	$ 4,074,390
Taxes Paid		$ 5,796,236	$ 4,126,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

(a) Consolidation

These financial statements include Taiga Forest Products Ltd. and its wholly-owned subsidiaries, Envirofor Preservers (B.C.) Ltd., 548421 British Columbia Ltd. and 548422 British Columbia Ltd., and Dynamic Forest Products Ltd.

(b) Investments

Investments in corporations in which the Company exercises significant influence are accounted for by the equity method, whereby the investment is initially recorded at cost and is adjusted to recognize the Company's share of earnings or losses and reduced by dividends and distributions received.

(c) Fixed assets and depreciation

Fixed assets are recorded at cost and depreciation is provided annually using the following methods and rates:

	Rate	Method
Buildings	5%	Declining balance
Furniture and office equipment	8% to 30%	Declining balance
Warehouse and manufacturing equipment	10% to 30%	Declining balance
Other properties	2-1/2%	Straight-line
Leasehold improvements	20%	Straight-line

(d) Inventories

Yard, reload, remanufacturing and treating inventories are valued at the lower of average cost and net realizable value.

(e) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Share based compensation

The Company has one share based compensation plan which is described in Note 8. No compensation expense is recognized for the plans when shares or share options are issued to directors, officers and employees. Any consideration paid by directors, officers and employees on exercise of share options or purchase of shares is credited to share capital.

2. Inventories

	2000	1999
Lumber products	$ 69,135,729	$ 48,173,694
Panel products	19,212,955	12,113,720
Allied building products	16,058,319	12,525,810
	$ 104,407,003	$ 72,813,224

3. Other Assets and Investments

During the year ended March 31, 1999, the Company acquired a 50% equity interest in Envirofor Preservers (Alta) Ltd. for $1. As at March 31, 2000 the carrying value of the investment, including amounts advanced, is $406,691.

4. Fixed Assets

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 6,909,273	$ –	$ 6,909,273	$ 6,583,215
Buildings	17,736,556	3,490,338	14,246,218	12,103,588
Furniture and office equipment	2,344,557	1,312,579	1,031,978	804,053
Warehouse and manufacturing equipment	5,799,219	3,172,508	2,626,711	2,168,259
Other properties	683,267	389,183	294,084	303,460
Leasehold improvements	1,194,942	581,885	613,057	682,601
	$ 34,667,814	$ 8,946,493	$ 25,721,321	$ 22,645,176

5. Financial Instruments

The Company has financial instruments which include accounts receivable, bank indebtedness, accounts payable and accruals, and long-term debt, the carrying values of which approximate fair values at March 31, 2000 and 1999.

Financial risk is the risk to the Company's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates.

(a) Interest rate risk

The Company is exposed to interest rate fluctuations through its financing and cash management activities in the form of long term debt. To manage this exposure, the Company has entered into four interest rate swap agreements, a three year and a one year agreement with The Bank of Nova Scotia and a three year and a one year agreement with HSBC. These interest rate swaps convert the floating rate loans to a fixed rate basis.

The fixed rate of the three year interest rate swap agreement with The Bank of Nova Scotia is 5.875% on a notional amount of $3,000,000 to June 30, 2002. The fixed rate of the one year interest rate swap agreement with The Bank of Nova Scotia is 5.4% on a notional amount of $3,000,000 to June 30, 2000. The fixed rate of the three year interest rate swap agreement with HSBC is 5.92% on a notional amount of $3,000,000 to June 30, 2002. The fixed rate of the one year interest rate swap agreement with HSBC is 5.49% on a notional amount of $3,000,000 to June 30, 2000.

The market value of the three year swap with HSBC at March 31, 2000, is $7,350. The market value of the one year swap with HSBC at March 31, 2000 is ($370). The market value of the three year swap with the Bank of Nova Scotia is $17,710 and the market value of the one year swap with The Bank of Nova Scotia is $373.

The effect of the swap agreement is recorded in income as it is incurred.

(b) Foreign exchange risk

Approximately 30% of the Company's sales are denominated in US currency. Normally cash receipts from these sales are sold into the spot market at prevailing interest rates. As at March 31, 2000, the Company has outstanding obligations to sell US$2.5 million at an average rate of Cdn$1.47336 during 2000. Based on the exchange rate at March 31, 2000, there is no significant unrealized gain or loss with respect to these commitments.

6. Bank Indebtedness

		2000		1999
Excess of cheques written over cash in bank	$	12,332,562	$	9,596,794
Credit facility secured by a general assignment of book debts and inventories and general security agreements in favour of the banks. This credit facility bears interest at bank prime.		109,676,870		63,182,198
	$	122,009,432	$	72,778,992

7. Long-term Debt

		2000		1999
Loan payable, bearing interest at bank prime plus 1/4%, payable monthly. Principal is payable in equal quarterly instalments of $357,150 commencing April 1999, with the balance due on March 31, 2003.	$	8,392,825	$	5,000,000
Loan payable, bearing interest at bank prime plus 1/4%, payable monthly. Principal is payable in equal quarterly payments of $250,000 which commenced September 1998. Loan is to be repaid in full on June 30, 2003.		8,625,000		4,750,000
Loans payable, bearing interest of between 2.71% and 11.39%, payable in monthly blended instalments of between $1,225 and $2,084, due on or before January 2000.		-		19,793
		17,017,825		9,769,793
Less: current portion		2,428,600		1,537,668
	$	14,589,225	$	8,232,125

8. Capital Stock

(a) Authorized 50,000,000 common shares

Issued and outstanding

	Number of Shares		Amount
March 31, 1998	3,812,460	$	11,929,460
Issued on options	500		4,000
March 31, 1999	3,812,960		11,933,460
Issued on options	9,500		76,000
March 31, 2000	3,822,460	$	12,009,460

(b) The Company has established a stock option plan for directors and employees. The Company has reserved 192,000 common shares for this plan, which vest over a five year term. Details are as follows:

	March 31, 2000		March 31, 1999	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at the beginning of year	185,250	$ 8.97	73,750	$ 8.00
Granted	–		112,000	9.60
Exercised	(9,500)	8.00	(500)	8.00
Outstanding at end of year	175,750	9.02	185,250	8.97
Options exercisable at year-end	71,750	$ 8.62	33,250	$ 8.00

9. Commitments

The Company has obligations in respect of operating leases for premises and equipment as follows:

2001	$ 1,784,856
2002	1,201,777
2003	758,405
2004	402,004
2005	325,484

10. Change in non-cash Operating Working Capital

Changes in non-cash operating working capital resulted in the following increase (decreases) in cash:

	2000	1999
Accounts receivable	$ (38,861,360)	$ (444,488)
Inventories	(31,593,779)	(2,255,635)
Prepaid expenses	(827,709)	437,873
Accounts payable	11,676,490	(202,596)
Income taxes	(54,769)	663,110
	$ (59,661,127)	$ (1,801,736)

11. Segmented Information

The Company operates primarily in the wholesale products distribution industry segment.

During the year ended March 31, 2000, the Company had export sales of Cdn$288,139,000 (1999 - Cdn.$226,291,000), primarily to the United States.

12. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers or other third parties, have been fully resolved.

CORPORATE INFORMATION

Board of Directors

J. Brian Aune
Montreal, Quebec

Jimmie Bradshaw
North Vancouver, B.C.

H. Douglas Butterworth
West Vancouver, B.C.

Patrick E. Hamill
Burnaby, B.C.

Douglas Morris
Toronto, Ontario

Saul Spears
Toronto, Ontario

Chee Fong (Paul) Yeong
Kuala Lumpur, Malaysia

Robert Yong Kuen Loke
Kuala Lumpur, Malaysia

Meng Kwong Lim
Kuala Lumpur, Malaysia

Kok Kay (Alain) Lee
Pompano Beach, Florida

Officers

Patrick E. Hamill
President, CEO

H. Douglas Butterworth
Vice President

Jimmie Bradshaw
Vice President, Building Materials

Douglas Morris
Vice President, Eastern Operations

Lloyd Hansen
Chief Financial Officer

David S.D. Hossie
Secretary

Transfer Agent

Montreal Trust Company
Vancouver, B.C.

Auditors

Deloitte & Touche, LLP
Vancouver, B.C.

Stock Exchange

Toronto
Trading Symbol – TFP

Solicitors

Davis & Company
Vancouver, B.C.

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V5H 3X6

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Annual General Meeting
The 7th Annual General Meeting of the Company will be held in the Oak Room of the Four Seasons Hotel, 791 West Georgia Street, Vancouver, B.C. at 11:00 am on July 18th, 2000.

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